

## **B. DISTRIBUTION AND USES OF FUNDS**

IHCDA proposes distributing the NSP funds through two primary funding strategies, both of which make use of existing funding mechanisms used by IHCDA. They are outlined in greater detail below.

### Comprehensive Neighborhood Revitalization Fund

IHCDA is committed to bringing to bear all the resources needed to further the comprehensive community development goals of eligible applicant organizations. Accordingly, we will work to leverage NSP funds with any and all resources controlled by IHCDA which are also critical to a project's success, including but not limited to: The Indiana Affordable Housing and Community Development Fund; federal CDBG and HOME funds; and Rental Housing Tax Credits. IHCDA reserves the right to adjust the amounts and sources of any final award to meet IHCDA priorities and NSP program requirements.

#### *Distribution Process*

IHCDA will competitively award \$50 million of the NSP funds to local units of government for comprehensive community revitalization and neighborhood redevelopment in areas of greatest need. An "Intent to Apply" letter to IHCDA from interested applicants must be postmarked by January 10, 2009 and applications must be postmarked by March 15, 2009. All application materials must be submitted according to IHCDA standards, as further outlined in the IHCDA Neighborhood Stabilization Program Guidelines and Application Kit, found at <http://www.in.gov/ihcda/3118.htm>.

The applications will be reviewed by IHCDA staff, the IHCDA Board of Directors and a panel of outside industry professionals. IHCDA anticipates making award decisions by May 2009.

#### *Selection Criteria*

A competitive process will be used for allocating these resources, which will take into account the following:

- ❖ Neighborhood Revitalization Plan: IHCDA will give priority to localities that identify a targeted revitalization area that clearly deploys comprehensive development strategies designed to address its unique challenges. Localities should articulate how intellectual, social, and financial capital will be leveraged across all sectors. The long-term physical and financial viability of the proposed redevelopment project is essential. Plans that demonstrate extraordinary innovation in housing and community economic development practices will be given priority.
- ❖ Areas of Greatest Need: (i.e. foreclosure concentration in and abandonment risk of the community). IHCDA has used data sources that are uniform and available across the state. Localities should provide data and documentation as to how the target neighborhood was selected as the locality's area of greatest need and how its proposed activities best address that need.

- ❖ Development Team Capacity: IHCD A will assess applications based on the expertise of the local development team. Key factors will include grant administration, readiness to proceed, project completion, and track record on previous state-awarded projects.
- ❖ Housing Opportunity: Given the federal mandate to serve households below 50% AMI, localities will be expected to identify affordable housing solutions that best serve this population (see Section D for more details).

IHCDA anticipates that the amount of funds that may be applied for and may be approved will vary by population and need of area. As guidance for potential applicants, IHCD A recommends that applicants apply for funding amounts commensurate with:

- ❖ Cost of the project
- ❖ Need of the jurisdiction
- ❖ Capacity to carry out the proposed activities in a timely manner

IHCDA reserves the right to reallocate CNRF dollars to high performing grantees, underfunded grantees, unfunded applicants, or for projects of unforeseen urgent need.

#### *Eligible Activities*

The community comprehensive plans may utilize the NSP funds in any of the following ways:

- ❖ Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as softseconds, loan loss reserves and shared-equity loans for low-and moderate income homebuyers
- ❖ Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
- ❖ Establish land banks for homes that have been foreclosed upon.
- ❖ Demolish blighted structures
- ❖ Redevelop demolished or vacant properties

#### *Eligible Applicants*

Local units of government and eligible nonprofits, as noted in the first sentence of 24 CFR 570.500(c), may apply for funds for an area (block groups) within their jurisdiction or service area that is identified as being of greatest need. Only one application for the same geographic area of need will be accepted. Therefore, IHCD A encourages local governments and eligible nonprofits to coordinate their activities in order to eliminate redundancies in their applications.

#### Market Stabilization Fund

The State will use approximately \$33.7 million of the available funding as a revolving loan fund that will be made available to income-qualified individuals and families who choose to purchase foreclosed homes in census block groups identified in areas of greatest need. IHCD A will make this funding source available to home buyers who

intend to occupy the home themselves. IHCD will utilize our single-family participating lenders, the Indiana Association of REALTORS, HomeEC certified housing counseling agencies and other partners to provide marketing and outreach to potential eligible homebuyers for this funding. A portion of these funds will be used to deliver the homeownership counseling requirements under the NSP program by HomeEC certified agencies.

IHCDA reserves the right to reallocate MSF dollars to the Comprehensive Neighborhood Revitalization Fund for awards to high performing grantees, underfunded grantees, unfunded applicants, or for projects of unforeseen urgent need.

#### *Eligible Activities*

IHCDA will offer up to \$15,000 (not to exceed 20% of purchase price) to assist homebuyers with the acquisition and/or rehabilitation of a foreclosed residential property. These funds may be used in conjunction with the IHCD First Home product, FHA, VA, USDA, or prime fixed rate product. No adjustable rate or subprime mortgage products will be allowed for the purchase of these homes.

Home buyers may use these funds for closing costs and down payment assistance related to the purchase of a foreclosed home or residential property that will be used as the primary residence. To be eligible for rehab funds a residential structure must not meet local building code and therefore is unable to be purchased in its present condition. Home buyers may use both acquisition and rehabilitation assistance in the purchase of a home, but the combined assistance may not exceed \$15,000. These funds will be in the form of a zero-interest, non-amortizing, second mortgage loan.

#### *Eligible Applicants*

Home buyers must be at or below 120% of area median income to qualify for this assistance.

#### *Discount Rate*

IHCDA will coordinate with lenders/servicers, Fannie Mae, Freddie Mac and HUD to list foreclosed properties on a centralized website, [www.indianahousingnow.org](http://www.indianahousingnow.org). Lenders will be required to sell the properties listed on the site at a discount that meets or exceeds NSP guidelines. Current negotiations with several lenders indicate that a 15% discount is a reasonable calculation.

HUD, however, has indicated that offering a discount directly to a home buyer for one of its REO properties outside of FHA's Good Neighbor program may be problematic. If HUD is unable to comply with the NSP discount requirements it has imposed on private lenders, the disposition of a majority of HUD homes in Indiana will be by local units of government and qualified nonprofits as part of a comprehensive neighborhood revitalization plan.

#### *Homeownership Education and Counseling*

In 2005, IHCDA instituted a comprehensive certification process for homeownership education and counseling programs across the state. The certification includes standards for organizations, counselors, and curricula. HUD approved counseling agencies are recognized as HomEC certified agencies. However, not all HomEC agencies and counselors are HUD approved because they do not compete for or necessarily receive HUD funding. IHCDA expects that the 8 hours of pre-purchase homeownership counseling mandated by the NSP guidelines will be conducted by a HomEC or HUD approved counselor and in accordance with HomEC certified standards.

IHCDA anticipates this part of the NSP proposal will assist qualified home buyers in purchasing more than 2,000 previously foreclosed homes in areas of greatest need throughout Indiana.

#### Administrative Funds

The State will share the 10 percent of the NSP funds available for administrative uses as follows: 2 percent shall be retained by IHCDA for administrative and monitoring requirements of the two programs and 8 percent shall be available to grantees of the Comprehensive Neighborhood Revitalization Fund. With the CNRF, it will be possible for project sponsors to receive a reasonable developer fee.